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CONFIDENTIAL

16 JUL 1969

DD/S&T-2782/69

MEMORANDUM FOR: Director of Logistics

**SUBJECT : Government Owned Property in the
Possession of Agency-Funded
Contractors**

1. The Director of Logistics recently submitted for review a draft of an outline plan for management and control of Government property in possession of Agency-funded contractors. This is an excellent proposal and this Directorate will be pleased to participate in and support the development of the plan which we consider a significant step forward in this very important management aspect of Government contracts.

2. Attachment A lists several thoughts which you might wish to consider as the plan moves toward further refinement and development.



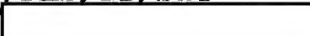
**Executive Officer
Directorate of
Science and Technology**

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**Attachment
As Stated**

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Attachment A

Suggestions for Consideration in the Plan for Management
Control of Government Property in Possession
of Agency-Funded Contractors

1. The plan contemplates that upon the expiration of the particular contract the technical officer having cognizance of the work will provide the contracting officer with instructions for the disposition or retention of Government owned property in the possession of the contractor. As long as this provision is written in the plan we do not see any basis on which the technical officer would object to the over-all plan for controlling Government property. .

2. We suggest that some thought be given to the possibility of recruiting or assigning to the Supply Division one individual, experienced in the handling of property and equipment (especially electronic test equipment). There would seem to be many occasions on which this individual could provide contracting officers with advice concerning problems related to GFP. For example, if a contracting officer concludes that a particular contractor is in possession of too much Government property or is not properly using or maintaining Government property, it would be very helpful if the contracting officer could call upon the services of an experienced property man to survey the particular situation and make recommendations to the contracting officer on the subject. The independent judgment and advice of this individual could prove very beneficial.

3. Some consideration might be given to the means by which certain items of equipment, recovered from contractors and in the warehouse inventory, could be maintained in working order, especially in the case of electronic test equipment requiring calibration.

4. It is suggested that the contracting officer have the discretion to abandon in place items of property which have no value. Property falling in this category might include items for which the cost of removal, packaging or shipment would greatly outweigh the value to the Government. The contract record should, of course, fully document the basis for such action.

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Attachment A
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5. It is suggested that material as distinguished from property be excluded from the plan. For example, small components including resistors, capacitors, residual scrap, etc. perhaps should be disposed of by the contracting officer in the best interests of the Government. We believe that the cost and effort to control this kind of material would be disproportionate to the value.

6. If possible, it is suggested that the inventory of excess property in the warehouse include indication as to condition and value.

7. In those cases where the surplus property or equipment moves forward from the contractor to the warehouse the system should provide for identification of the property so that the cognizant technical office can clear its records.

8. Under operating procedures, paragraph D of the proposed plan, the Chief, Procurement Division, would be requested to extract GFP records in contract folders maintained in the Procurement Division and to furnish this information as appropriate to the decentralized teams. It is suggested that such information be available to the decentralized teams if needed; however, we believe the Procurement Division/OL should remain responsible for reporting and controlling that property listed in all contracts for which Procurement Division is responsible, including those completed contracts which it retained at the time the teams were formed.

9. It is suggested that the plan include a definition of Government owned property in possession of contractors. Such definition might point out that the term "Government property" includes Government furnished equipment (GFE) and also contractor acquired property.

DRAFT
7/2/69

SYNOPSIS

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The Director of Logistics desires to decentralize control over Government-owned property (GFP) in the possession of contractors by assigning basic responsibilities to the individual decentralized teams and overall coordination responsibilities to the Special Assistant to the Director of Logistics (SA-D/L), who also serves as Chairman of the Agency Contract Review Board. Under this concept, each team would prepare semiannual lists of all GFP in the hands of its contractors. These lists would, in turn, be provided to the SA-D/L, who is charged with overall maintenance of a consolidated record of all GFP.

As contracts expire, the controlling technical officer will be asked by the appropriate Contracting Officer to provide instructions on disposition, or retention by the contractor, of GFP provided under the contract in question. Materiel declared surplus to the needs of a contractor [REDACTED] on 25X1

a no-cost basis, to any technical office having a need for GFP. Government Bills of Lading will be utilized for these moves and all transportation costs will be borne by the Office of Logistics.

Lists of GFP located in the Logistic [REDACTED] will be provided by the Chief, Supply Division, OL, to the SA-D/L, who will circulate them semi-annually to the Chief of each procurement unit. Each head of a procurement unit will be responsible for reviewing these lists of available GFP before any new item of GFP is purchased for use by a contractor. 25X1

NEW PROPOSED OPERATING PROCEDURES

a. Disposition of Excess GFP Now in the Possession of Contractors:

A recent survey made by the Office of Logistics disclosed that a quantity of contractor-held GFP is excess of known requirements. Under current Agency policy, disposal of this

materiel may be effected through sale to the holding contractor, return to Agency control, or, in some instances, destruction or abandonment in place. Disposal action is coordinated with the Directorate concerned, the Chief, Supply Division, OL, and the Chief, Procurement Division, OL. Upon adoption of the new policy and procedure, each head of a procurement unit will initiate action to be taken to purge his contractors' facilities of all excess GFP.

b. Office of Finance Reporting Requirements:

At present, the Office of Finance prepares a semiannual consolidated report of all GFP procured with Agency funds, including that purchased by a contractor for which he is subsequently reimbursed. We propose to discuss this reporting requirement with the Office of Finance to determine:

- (1) What is the requirement for these reports?
- (2) Can they be eliminated if another reporting source exists?

c. Office of Finance as a source of Basic Information:

Almost without exception, Industrial Contract Audit Division (ICAD) auditors visit each contractor to whom GFP has been furnished. These visits generally are scheduled at least annually, and under the optimum conditions, more frequently. It is very possible that ICAD auditors could be requested to update existing lists of GFP charged against individual contractors visited. The Office of Finance has agreed, in concept, to provide this additional audit service. Necessary details will be developed jointly by the SA-D/L and the Office of Finance.

c. The Office of Logistics Central Control Point:

The individual semiannual reports prepared by the teams would be submitted to the SA-D/L, and lists of GFP located in Agency depots provided directly by the Chief, Supply Division, OL. These data would then be consolidated into a master list which would be disseminated

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back to the individual decentralized teams. The ICAD input would be utilized to check accuracy of the listing of contractor-held materiel. The Chief, Procurement Division will be requested to extract GFP records now included in contract folders maintained in the Procurement Division and to furnish this information, as appropriate, to the decentralized teams.

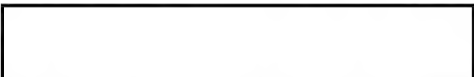
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e. Approvals Necessary:

The Director of Logistics has the authority to dispose of any Agency-owned property including GFP. The concept of a pool of materiel to be issued on a no-cost basis presents some problem, however, especially when items may be issued to an activity other than the original budgeting component. It is true that under this proposal, some materiel will be issued for use by a contractor without charge to a cost center. We believe, however, that many contracts will still require GFP not in excess inventory. As this materiel is purchase, it will be picked up as active GFP. After the termination of the controlling contract, the now excess GFP will be

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returned



This procedure, in effect, shall maintain a more or less constant pool of usable materiel, both in number of things and dollar value. Prior to implementation, we will require approvals from both the DD/S and the OPPB.

f. Administrative Procedures:

Under this proposal, there is no valid reason why existing Agency stock control, shipping and issue documentation (e.g. Form 88) cannot be used. Procedural guidelines will be necessary, however, probably to be issued in the form of a Handbook. This guideline will be prepared in conjunction with the Chief, Supply Division, and in consultation with the heads of the procurement units.

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